



LOSS PREVENTION

Fall 2003

SPOTLIGHT

A PUBLICATION FOCUSING ON LOSS PREVENTION INFORMATION FROM THE RISK MANAGEMENT DIVISION OF WASHINGTON STATE'S OFFICE OF FINANCIAL MANAGEMENT

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Learns From Recent Fires

By Paul Mueller, CPCU, Risk Manager and
Gayle Shipley, Director of Environmental Health & Safety

Western Washington University (WWU) experienced two building fires over a relatively short period of time. Although the fires were not caused by the actions of Western, we learned a few things which we would like to pass along.

The building itself doesn't always cause the fire. During the property insurance underwriting process, insurance professionals tend to focus their attention on normal subjects like building age, construction, number of floors, occupancy, fire detection systems and sprinkler systems. Those of us in risk management are familiar with the process and we understand the importance of evaluating these things.

So-called "secondary" electrical equipment, which plug into electrical outlets, can be a common cause of fire as well. Although most of this equipment is inherently safe and approved by product safety organizations like Underwriter's Laboratories (UL), how it may be used or misused by your staff can increase your fire exposures. The following are examples of potential problem areas to check.

- ✓ Make sure combustible materials like paper, books and plastics are kept away from computer equipment, coffee-makers, scientific equipment or similar equipment.
- ✓ Verify that each department has procedures to turn off equipment like coffee-makers at the end of each day, or at least recommend automatic timers for this function.
- ✓ Verify that all computer equipment is turned off at the end of each day as well, unless it must remain on.
- ✓ Make sure that multiple outlet strips are plugged directly into a wall outlet and not "daisy-chained" together.

These are just a few examples, but we are sure more will come to mind as you evaluate these "secondary" electrical equipment exposures.



See next page for WWU's post fire risk management tips.

COMMERCIAL INSURANCE UPDATE

Enrich Your "Risk Management" Word Power



The Summer 2003 *Spotlight* featured common insurance terms and their definitions. In keeping with the same endeavor to help readers increase their "risk management word power". Additional terms and definitions are provided below.

Claims-made Coverage:

Insurance policy that covers claims first made (reported or filed) during the policy period. Coverage for prior incidents may be subject to a retroactive date. The insured may have the option to buy an extended reporting period for incidents that occur on or after the retroactive date and before the end of the policy period.

Commercial General Liability (CGL) Insurance:

Third party liability insurance. Provides coverage for liability claims made by third parties for bodily injury and property damage arising out of the premises, ongoing and completed operations, and products, including contractual liability. Personal injury and advertising injury are also exposures normally covered by the CGL.

FAST FACT

OFM's Risk Management Division places a high priority on the prompt payment of claims once payment has been authorized. Tort claim payments are normally issued by the Office of Financial Management within 24 hours of their receipt by the Risk Management Division.



LOSS PREVENTION SPOTLIGHT

RISK MANAGEMENT DIVISION

Fall 2003

New Risk Management Case Liaison

The Risk Management Division staff welcomed Michelle Whetsel to the position of claims liaison in October 2003. Along with other Risk Management Division staff, she will be working closely with the Office of the Attorney General and agency staff in the management of high-level tort claims.

A graduate of Ball State University and the University of Wyoming College of Law, Michelle brings a varied and related background of experience to the claims liaison role. She was a Judge Advocate General in the United States Army serving as a prosecutor and defense counsel from 1987 to 1993. She later served as Spokane's Regional Director of Columbia Legal Services where she worked with family law, public housing, and related low-income legal matters. Most recently, she served the past seven years as an administrative Law Judge with the Office of Administrative Hearings. She conducted hearings for persons seeking benefits from or engaged in disputes with a wide variety of state agencies.

Stop by the Risk Management Division office to meet Michelle, contact her by phone at 360-902-9814, or reach her by e-mail at michelle.whetsel@ofm.wa.gov.

WWU's Post-Fire Risk Management Tips

By Paul Mueller &
Gayle Shipley



Western hopes this information will be useful to other state agencies. A building fire is a very unpleasant experience. We hope that what we have passed along to you will help prepare you and make the experience a little easier.



Try to avoid the impulse to remove or clean-up debris at or near the fire's origin.

Shortly after a building fire is extinguished, the local fire department may be inclined to remove, inspect or clean-up fire debris in the course of its initial investigation. In addition, your staff may be inclined to start the cleaning process to get things "back to normal" as soon as possible. Although these things may be done with good intent, it is important to avoid this impulse, especially in or around the area of the fire's origin. The investigative process does not end with the local fire department's initial examination. It may be the first in a series of exhaustive technical and legal investigations by experts who are hired by insurance companies, and other interested parties, to find the cause of the fire and, hopefully, the culpable third-party. You will find it in your best long-term interest to leave the area of the fire's origin in its original state, if at all possible.



Don't expect prompt claim payments from insurers.

For larger fire losses, the claims adjustment process is burdensome, includes multiple levels of approval and lacks a sense of urgency to get the claim settled. Insurers may appoint a highly qualified independent insurance adjuster, but the adjuster may only have limited or no authority in settlement decisions. And insurers may hire construction and accounting consultants to oversee the activities of contractors who are hired to carry out the fire restoration and repair work. In addition, if the insurance policy is underwritten by multiple insurers, each insurer may handle its own portion of the claim independently from the others. The process is arduous and claim checks may only trickle in over time. Domestic insurers tend to respond more promptly than international insurers.



Make sure contractors are aware upfront that they won't get paid until you get paid.

Contractors who specialize in fire restoration and repair know about the claims handling process and realize that it may be difficult or even impossible for their client to pay before the client is actually paid by insurance companies. However, reaching a mutual understanding of this situation upfront can help reduce the pressure on you when the contractor applies pressure to get outstanding invoices paid.



Hire the best fire restoration and repair contractor possible.

Hire the best fire restoration and repair contractor possible, within the confines of state regulations and insurance coverage. Try to avoid contractors who are novices or who merely dabble in this very specialized service. Specialists know what needs to be done. And once notified, they rapidly assemble their workforce and equipment, secure the fire scene, mitigate further damage to building and its contents, and quickly begin restoration. All this is important when you have a building that is unusable, but essential to your agency's mission. You will save time and money by hiring the best possible.



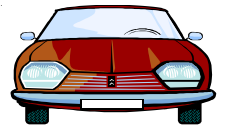
Remove moisture from the affected area as quickly as possible.

Fire departments and fire sprinklers use water to extinguish fires. That usually leaves the affected building and its contents damp or wet and a quick response to remove the moisture is necessary to prevent the growth of mold, which can affect the long-term health of the building and its occupants. Removal of moisture within 24-48 hours is recommended by the EPA. A fire restoration and repair specialist is aware of this problem and will respond aggressively.



Be cognizant of hazardous materials.

Be cognizant of hazardous materials that may be present in the building and its contents. You may need to refer to your agency's hazardous materials survey. Hazards may include asbestos containing materials in the building and heavy metals in electronic equipment. Both require special handling, and a fire restoration and repair specialist is usually aware of this.



2003 State Auto Accident Recap

January 1 to
November 19, 2003

State vehicle incidents/accidents (statewide) for the period indicated. Costs represent liability only and do not include state vehicle damage costs, which are paid by the agency of the driver.

Backing	14	\$26,555
Collision-Parked	54	\$69,321
Collision-Rear-ended	36	\$64,883
Collision-Sideswiped	26	\$54,584
Intersection	17	\$76,491
Object Hit	4	4,932
Other Accident	1	5,000
Pursuit/Response	4	5,392
TOTAL	156	\$307,158